

LN 583

MAY -5 1958 / 1959

Dear Sir:

Hycon Mfg. Company submits this monograph in substantiation of a fair and reasonable profit as reward for its performance on Contract BC-200.

BACKGROUND. Contract BC-200 is a prime contract between the United States Government and Hycon Mfg. Company for advanced research and development, and limited production of special photographic equipment. The primary items manufactured on this contract were eleven B configurations and three A-2 configurations, the balance of items being ground support equipment, spare parts, and support services.

It is submitted that in the performance of this contract the company made a significant contribution at minimum cost to the Government. It is submitted, also, that the company achieved a degree of quality and reliability in the equipment manufactured which reportedly is of the highest order yet attained for equipment of similar complexity and scale.

Performance demonstrated on this contract was possible only through the untiring efforts and ingenuity of the company's special project team.

PRICE REDETERMINATION. The price redetermination article of Contract BC-200 provides that the parties

"... will promptly negotiate in good faith to agree upon a reasonable redetermined price for the entire contract which, upon the basis of such statement (of cost) and other pertinent information, will constitute fair and just compensation to the Contractor for the performance of this contract. In determining the extent of any estimated allowance for profit to be taken into account in fixing such redetermined price, consideration will be given to the extent to which the Contractor has performed the contract with efficiency, economy, and ingenuity."

The company presents here specific examples of economy, efficiency and ingenuity which, we believe, are illustrative of overall performance upon which "fair and just compensation" is based. On the basis of these examples and other information set forth in this paper, the company endeavors to convince the Government that the contract was performed in a manner which justifies inclusion of a liberal estimated profit allowance in the final contract price.

ECONOMY. Degree of Cooperation with Government. The nature of the items delivered and the services furnished to the Government required a high level of coordination, liaison and cooperation. The fluid and dynamic requirements of the Government required quick reaction by the company. This was obtained by high integrity coupled with a high order of comprehension of Government needs on the part of the company. The company's performance in this area has elicited plaudits from Government representatives.

Unusual Services Furnished by Company. The company contributed an unusually high percentage of its top management and top engineering time to the performance of this contract. This utilization of top level personnel has resulted in effective performance and substantial cost savings to the Government. The security for this program has required an inordinate amount of specialization of administrative personnel. These security requirements have been met most diligently, yet they have not been the source of significant additional cost of performance as reflected in the total contract cost.

EFFICIENCY. Efficiency may be defined as effectivity per dollar of cost. Effectivity, in turn, may be measured in capability and capacity to produce. The capability and capacity to produce on this contract were achieved by assignment of high caliber engineers, technicians and mechanics.

The fact that the chance for future production contracts was remote, and the fact that there would be no commercial application of the contract items, did not deter the company from assigning its best talent to the contract. Effective utilization of its resources permitted the company to tender the Government a voluntary price reduction of \$250,000.

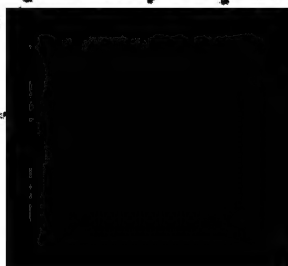
INGENUITY. Engineering in the face of state-of-the-art limitations is generally recognized as being difficult. But to develop equipment, with state-of-the-art limitations, to the degree of reliability attained by this company, suggests, it is believed, extraordinary achievement. The reliability factor was attained in a short time span considering the complexity of the equipment.

Perhaps the best example of the ingenuity demonstrated on this contract was provided indirectly in 1958 by a competitor in a bid on another program. The competitor estimated that the state-of-the-art in 1962 would be about two-thirds of the state-of-the-art realized in the equipment delivered under Contract BC-200.

OTHER CONSIDERATIONS. The contribution of this project to the security and defense of the United States reportedly is of significant value. The success of the project was brought about through exploitation of the best resources of a number of companies. The undertaking likely could not have been accomplished had any one company failed in an assigned

It is suggested that the relative value of this particular company's performance may be measured by comparing it with one of the basic concepts of the Navy Department. The Navy Department subscribes to the philosophy that the purpose of all of its functions is directed toward supporting its guns and missiles at the firing line. It might be said that the purpose of the other contractors' efforts on this program has been to get the equipment manufactured by Hycon Mfg. Company into a position to perform its mission.

SUMMARY. In consideration of the foregoing statements on the factors of economy, efficiency and ingenuity, Hycon Mfg. Company respectfully requests that the final price of Contract BC-200 be fixed at



Very truly yours,

HYCON MFG. COMPANY



Vice President & General Manager

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